Agricultural Outlook Form 2001 Presented: Thursday, February 22, 2001

SMALL FARM SURVIVAL: IMPLICATIONS FOR THE NEXT FARM BILL

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Introduction

I am in my sixth year as a director of the North American Farmers' Direct Marketing Association representing the Northeast region of the United States. I recently completed two years as president of NAFDMA. In October of 2000, I completed five years as president of the Orleans County Farm Bureau and was then elected as a district director and presently serve on the NYFB Board of Directors. It is from that combined background that I present the following:

North American Farmers' Direct Marketing Association

The North American Farmers Direct Marketing Association is an organization promoting and fostering the growth of farm direct marketing by offering education, networking, and fellowship opportunities to its members.
The association is committed to:

1. Being a primary source of information on farm direct marketing.
2. Supporting sustainable growth of farm direct marketing.
3. Encouraging open dialog within all facets of the farm direct marketing industry.
4. Being a supportive public voice for our members and the industry.
5. Providing an umbrella organization for regional associations.
6. Encouraging the formation of regional and local associations.

NAFDMA has memberships from around the world. Our most recent Conference was held in Mesa, AZ in January with over 800 farm marketers from the US, Canada and England in attendance. Over 350 direct marketers toured markets for three days in the Southeast region of AZ and three busses toured the Grand Canyon area. One day of workshops was followed by over 35 sessions run concurrently over a two-day period with tracks such as greenhouse, farmers' markets, farm "edutainment", "value-added", and liability issues. USDA has long been a presenter at our Conferences. Many of our members also belong to State or Provincial Associations and attend State Conferences annually.

There are estimates of over 50,000 farms currently involved in some form of direct marketing in the US today, with 4,000 of them in my state of New York. The states bordering the Great Lakes, the Pacific Coastal, and Texas have the greatest concentration of direct farm marketers. In addition to on-site farm markets, there are approximately 3,000 farmers' markets across the country, ranging from very small inner city or rural weekly markets to full service, daily public markets in large cities. Growers of grains and other subsidized commodities seldom venture into direct or niche marketing. Most of the direct marketing farmers grow what are termed "minor crops".

Watt Farms and Orchards

Watt Farms is a 250A family farm owned and operated by my husband, Chris, my daughter, Lauren, and me. We grow cherries, raspberries, apricots, peaches, plums, pears, nectarines, and apples in 7 different locations in three townships in the Albion, NY area. These locations diversify our spraying, pollinating and ripening times, as well as lower our risk of storm damage to the entire crop. As you are all aware, the production of fresh fruit is very labor and investment intensive. We try to hand prune about 75% of our 45,000 trees each year. Each piece of fruit must be individually and delicately hand picked. Each orchard requires constant maintenance. We pollinate, mow, weed spray, irrigate, and attempt to control pests of all sizes, from deer to mice, from insects to other biological phenomena. These endeavors require a substantial investment in equipment, employees, as well as the investment in trees on well-drainaged land. Our costs demand that we gross much more than $250,000 each year.

Our 250A farm is a rather common size throughout the Northeast and the Great Lakes region. There are thousands of similarly sized family farms growing fruits and vegetables for consumption primarily by the 22% of the US population living near the East Coast. Over the past decade the cumulative effect of decreasing commodity prices at the wholesale (grower) level accompanied by escalating costs of production, picking and shipping have been significant. To make the potential for profit greater, many farms like us have added direct farm marketing to their business.

The USDA National Commission on Small Farms

The Report of the USDA National Commission on Small Farms, dated January 1988, entitled “A Time to Act” focuses on farms with less than $250,000 gross receipts annually. Nationally, there are 157,000 farms in the US with annual sales of $250,000 or more. 72% of all commodities are produced on these farms. Another 190,000 farms have annual sales between $100,000 and $250,000, accounting for about 10% of production. 1.6 million farms report average annual sales of less than $16,000, with almost all of their household income coming from off-farm jobs. In other words, of the close to 2 million farms in the US, 82% do not even gross $16,000 per year.

Of New York State’s 39,000 farms, only 22% have sales over $100,000, but they operate 49% of land. New York farms, with sales of less than $10,000, are almost 50% of total farms. I would suggest that there are many of those 157,000 farms with sales above that arbitrary dollar amount, which also need your attention. Most of them are family farms and are an integral part of the fabric, which keeps rural America vibrant and economically sound. What then are the implications for the over $250,000 farms like ours? While the Commission focused on “small farms”, but I would ask why farmers who gross over $250,000 annually are less valuable in protecting and supporting rural communities?

There aren’t only small farms and greedy corporations growing food in this country. There are many of us “non-commodity” growers in the middle of those extremes. Small to moderate in size, but large in terms of investment and costs. Most of the direct farm marketers are also growers of the specialty crops. What happens if these farms are discriminated against and excluded from consideration due to gross income? Who becomes the steward of that land? Who replaces the related jobs, technologies, and services dependent on these farms? How much of rural America in New England, NY, MI, Ohio, VA, PA dies?

The 80 page report on Small Farms is very interesting reading. As I read through the report I was nodding in agreement over and over again. What I did find interesting was the lack of reference to the typical Northeast, Great Lakes, East Coast type of farm involving fresh fruit and vegetable production. Most of the farms in these regions do not participate in Federal commodity programs and therefore, have no safety net like much of commodity production agriculture. As a fruit grower, I can tell you first hand that our industry is in peril.

The apple industry is on its knees. Cheap imports, an increasing number of both state and federal regulations, a lack of adequate trained labor, and rising costs of production coupled with lower prices have harshly affected profitability. There simply is no profit in growing and selling a crop anymore. There is a built in profit for the chemical manufacturers, the shippers, the packers, the brokers, the truckers, the grocery chains, and all the agri-service related industries, and we growers get the crumbs. Over the past five years even the crumbs have disappeared. We are the first to incur costs of production and are the last to get paid. In effect, we borrow money to operate our orchards through the growing season, and wait for payment to repay those loans and begin the cycle again. Beginning in the 1990's, repayment has been severely hampered and there is no reason to think this will improve.

The first policy goal of the Small Farms Report speaks of optimizing the labor and ingenuity of small farm operators using less capital-intensive investments. I sure don't know how that fits into the farming economy right now. Right now there are virtually NO commercially grown crops whose wholesale value has risen to keep abreast of expenses. We have all learned how to maximize production on less land but this does not translate into profit. We simply can't compete with the dumping of foreign produce at costs below US costs of production.

Our farm is within one hour of three bridges crossing into Canada. In 1999, $38 billion of agricultural products came into the US across those three bridges. Only $8 billion went the other way. $38 billion at costs below our US farms' costs of production. The US farmer has borne the brunt of the balancing in the Balance of Trade. The US farmer has also done exactly what was expected of him or her for the past century. The drastic production changes required by the farmer of this decade and beyond unfortunately are on the heavy debt structure built up over the past 30 years or so.

Farm Debt

How do we continue to farm in downsized proportions with diversity and ingenuity and still pay off all the incurred debt? Certainly it requires PROFIT to pay down old debt and to pay for startup costs for new ventures. Is there a responsibility of the US government to all farmers caught in this deliberate, downward spiral of net back to the family farm?

Our family farm grosses close to $1 million dollars a year. I know that Cornell University is looking to identify farms that fit the range of $100,000-$250,000 gross for a study. That income range is not the norm. I attended a forum last summer sponsored by Cornell University as a member of the Small Farms Task Group. How interesting it was that each of the examples presented as entrepreneurs were all over the $1 million gross mark.

Our total farm debt is also close to $1 million. In 1998 we lost our entire crop of apples on Labor Day, just prior to the beginning of harvest. It was a horrible storm that either sliced every apple or knocked it off the trees to the ground. An entire year's efforts were ruined and there was no way to pay for all the accumulated expenses, much less money needed for investment in the 1999 crop. Fortunately, we had crop insurance, but it only went so far. The insurance for so-called specialty crops is still being fine tuned and my husband and I, along with many other growers of specialty crops, have worked hard to help develop insurance policies to fit the needs of fresh fruit and vegetable growers. There is a long way to go and the clock keeps ticking with each new crop year.

The catastrophic Labor Day Storm caused an estimated $8 million damage to the apple crop just in my county. About $40 million in our Western New York Fruit Belt. If it had been one major company, like IBM or General Motors, there would have been much more concern. But spread out over 4 counties the impact to the press and the government officials is diluted by the acreage.

And so, how will we pay all the debt back on the accumulated expenses for this 1998 crop of apples? And then, what to use to begin the operations for the 1999 crop? USDA provided badly needed grants and loans, but there is a very limited potential profit to use to pay back the loans, when we can not grow and pick a crop in this country to compete with cheap foreign nation imports. Farmers of specialty crops have traditionally been fiercely independent, not requiring USDA and FSA help because there was a reasonable potential profit anticipated to be made if you just worked hard and long enough, grew excellent produce, and used that God-given ingenuity.

We farmers are used to natural disasters. But we have historically been used to enough profit in the good years to offset the bad economic times. Good economic years, however, do not seem to be on the horizon for the apple growers in this county, and it didn't take a natural disaster for the effects to be felt by all. This is a rapidly propelled man-made disaster --- a controlled disaster by imports. The debt accumulates, the youth walk away, and the land goes to the highest bidder.

To the tribute of Watt Farms, we are not dependent on apples alone. But what of the hundreds of apple growers who have done nothing wrong except to become more efficient and bare-to-the-bone raising of their crops? Or the onion growers, or the cabbage growers, or the milk producers--all farming small to moderate family farms. Just how much ingenuity can make their farms survive? Just how many "vertical integrated" operations can repay the debt and build anew? Just how many retail markets can thrive in any given area? The county I live in farms 147,000 acres. Just how many farm markets can my county of 40,000 people support? How many "niche" markets can start up quickly? How many "production" minded farmers can shift gears mentally and physically to become "entrepreneurs"? Are those who can't failures?

USDA has impacted the Land-grant University system to devise methods of helping energetic and diversifying farmers to take the vertical leap. We go to three farmer's markets each week in soft fruit season. We, of course, sell as much of our fruit at the farm as possible. We have a wonderful staff who has more ideas than we can ever put to practice, and I would love for you to see our operation. And while I hope to use the expertise of Cornell's Center for Food Entrepreneurship this year, we direct marketers also face some unique problems requiring help.

More and more frequently, our creativity adversely affects our town and village planning boards. The increase and expansion of farm direct markets have caused many zoning officials to require special permits, which limit the activities of the operator. Although USDA sees the benefits of farms making their own pies, jellies, ice cream and school and/or bus groups for “edutainment” or “agri-tourism”, many communities do not want this type of farm “commercialism”. Farmers are denied permits to do anything beyond growing and selling their own produce in its natural form on land designated as agricultural land. Due to “home-rule”, each township reacts independently to a retail farm situation, and very often without apparent reason. The attempt of farmers to provide this stabile financial footing backfires in their own back yard. With the percentage of farmers dwindling in any geographic area, so is their seat on zoning and town boards, making the process more difficult.

For decades, my husband’s love of orchards inspired him every day. He was raised on a fruit farm where he developed his love for planting and training trees and gained his knowledge of how to grow perfect fruit, far beyond any doctoral level. Today, I am sorry to say that love has withered. He spends far more time working on loans, crop insurance, debt repayment scenarios, lobbying efforts through Farm Bureau, and is frustrated by all of the pressures beyond our control. Attempts are now being made to create a safety net for specialty crop growers, but time is running out. Three orchards within 5 miles of my home went up for sale in January of this year. Creditors are drawing the line.

What needs to be done?

USDA cannot limit new initiatives to ***ONLY*** farms grossing under $250,000. All farmers, regardless of gross, can and should benefit from any new technical, financial, regulatory assistance. Mid-sized farms definitely need emphasis from the 2002 Farm Bill also. Specialty crop producers are not understood and have been neglected by federal programs. Full time family farms, regardless of size, need assistance with capital investments to transition a farm to meet future production trends. Continual improvements in Risk Management strategies are critical and crop insurance for non-traditional crops must be quickly expanded. Pilot programs for dairy farmers as well as niche farmers must be improved and expanded to be realistic. USDA must work with each state to offset the agricultural tragedy, which is immediate. USDA is responsible for flexible farm programs needed through block grants to better meet diverse agricultural needs.

Market Loss Assistance Programs must be expanded in the minor-crop arena until long term solutions to the agricultural trade imbalances are implemented. Trade rules must be enforced and better negotiated for agricultural producers. Free trade is not fair trade. It is obvious that the labor-intensive crops grown in the US can not compete with those grown in economically deprived third world countries. While consumers enjoy cheap imported foods, the issues of food safety, national security, and the decline of rural infrastructure must be addressed by this Congress and by USDA.

Why is it that on each garment you are wearing today, there is a required label of origin? Since this has been deemed important enough to be a law in this country for clothing, why not for what goes in your mouth? Yet every effort to require identification of origin of produce has been rejected. As one example, apple juice concentrate flows in freely from China and other nations and then is blended with more flavorful American apple juice and the consumer is rarely informed of this. The apple juice and many other similar products are labeled as though they originated where bottled or processed. Why is there no mandatory labeling of origin? I have heard the response from government that the American consumer just doesn’t care. Well, then, why do you think they are concerned about labels that rub the back of their necks? Does that make sense?

Watt Farms Country Market

Our venture into direct marketing began with very limited expense. We began our retail operation in 1986. It was entrepreneurism with a very tiny "e". We began in a $50 used tent and also went to 3 farmers' markets back in the 1980's. We quickly realized that we needed to do more than just try to sell our fruit. Our capital investment in direct marketing over the past 15 years, however, has grown to over $500,000. It takes quite an investment to interest people from suburban and urban areas who must drive an hour or more to spend time and money with us. We have to distinguish our market from all the other marketers in our Western New York Fruit Belt's thousands of acres of fruit. We are certainly not alone in attempting to retail fruit.

Watt Farms ingenuity and vertical integration have taken quite a path. In addition to selling our fruits in season at our market, at farmers' markets and directly to two grocery chains, we began making fudge and added an ice cream shop by 1994. Then came small gift and baked items as well as jams and jellies. In 1998 we added the Watt Farms Orchard Express Train to our farm with a 1½mile narrated tour of our orchards. We also offer U-Pick peaches and apples seasonally from the train. Customers can also U-Pick cherries, plums, apricots and raspberries close by the market.

We take thousands of school children on highly educationally structured tours every day each fall and give our train rides every weekend on our famous "Orchard Express". In 1999, we added a 4200 sq.' glass greenhouse and another 3200 sq. ft gift shop addition was created from apple storage area. We now have Sunday morning buffets, a lunch menu with an indoor seating area for 70 people. We have added some farm animals and a play area to round out a family's expectations.

Not everyone has the skills to be a direct marketer, nor are there always nearby populations for niche markets. Our retail business did not happen over night and it took a tremendous investment of money, time and effort on our part. Each year our customers expect more and we must impress every customer who walks in to our market. We must make every effort to exceed their expectations in order to expect a return visit. We must continue to invest and develop in our retail operation but this is becoming extremely difficult due to the lack of profit from our commercial apple operation. Monies from the market must go first to offset the losses in fruit production and must be used to keep debt repayments current. Commercial bankers are reluctant to lend any funds to agricultural and agriculturally related businesses.